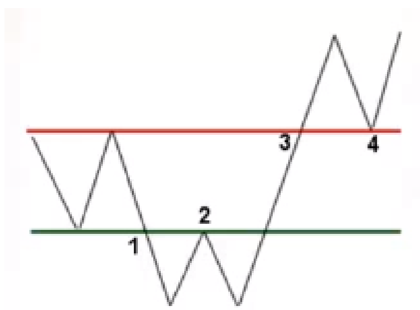
Support & Resistance

Wednesday, August 07, 2013 10:45 PM

- Speculators do not move the markets, large institutions do, and they base their actions on key price levels.
- By limiting your trades around clearly established price support & resistance levels you align your trades in the direction of the banks and large institutions and hopefully ride their coat-tails.
- Being patient and doing nothing is a winning trading position since you risk nothing.
- Support & resistance identify areas of supply and demand.
- Supply is an area on a chart where sellers are likely going to overwhelm buyers causing the market to go down (resistance).
- Demand is an area on a chart where buyers are likely going to overwhelm sellers causing the market to go up (support).
- Support can become resistance and resistance can become support if price breaks through these areas.



1. Price fell through support
2. Support becomes resistance
3. Price breaks through resistance
4. Resistance becomes support

- **On the long side, when a market falls down to a prior low it is more significant than when a market falls down to a prior high.**
- **On the short side, when a market trades up to a prior high it is more significant than when a market trades up to a prior low.**
- The more times a support or resistance area is "hit", the more significant it is.
- Support and resistance areas are very important to finding consistent setups.

There are 2 classifications of support & resistance levels:

NATURAL SUPPORT & RESISTANCE

1. 12 month highs & lows
2. Quarterly highs & lows
3. Monthly highs & lows
4. Weekly highs & lows
5. Daily highs & lows
6. Session highs & lows
7. Intraday fractals
8. Trendline analysis

IMPLIED SUPPORT & RESISTANCE

1. Fibonacci levels
    a. Retracements

    b. Extensions
2. Pivot points
    a. Monthly pivots
    b. Weekly pivots
    c. Daily pivots

- Noting the highest high traded in the previous year can provide outstanding long term resistance should price trade to those levels again, vice versa for the lowest low.
- Not only can you use the previous year's high & low, but any rolling 12 month period.
- If you study the long term charts like this you can begin to see multi-year highs and lows that could signal long term trend changes.
- Noting the highest high traded in the previous 3 months can provide outstanding long term resistance should price trade to those levels again, vice versa for the lowest low.
- Not only can you use the previous quarter high & low, but any rolling 3 month period.
- Study the long term charts like this and you can find incredible swing trades.



- Noting the highest high traded in the previous month can provide outstanding intermediate term resistance should price trade to those levels again, vice versa for the lowest low.
- Not only can you use the previous month high & low, but any rolling 20 day period. The 20 day high & low are dynamic levels to monitor for powerful swing trades.
- Study the daily charts like this and you can find incredible swing trades capable of producing hundreds of pips per swing:



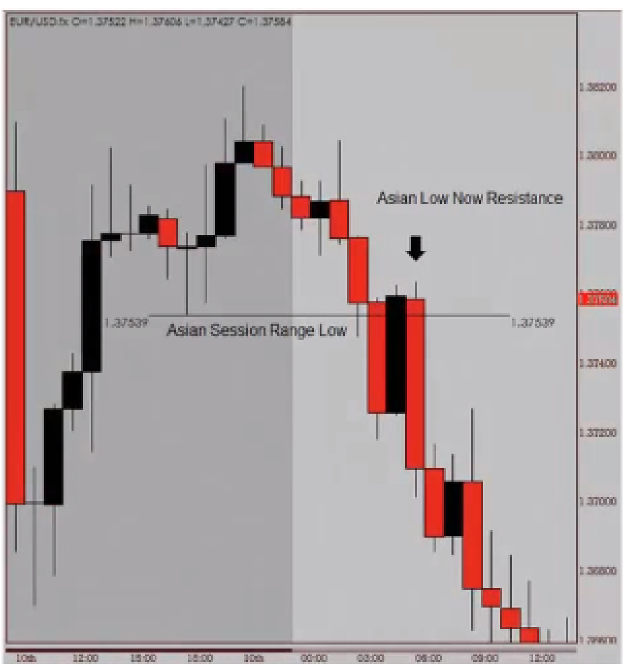
- Noting the highest high traded in the previous trading week can provide outstanding short term resistance should price trade to those levels again, vice versa for the lowest low.
- Not only can you use the previous week high & low, but any rolling 5 day period. The 5 day high & low are dynamic levels to monitor for consistent short term trades.
- Study the daily and 4 hour charts like this and you can find incredible short term trades capable of producing 50-100 or more pips per trade:



- Noting the highest high traded in the previous trading day can provide outstanding short term resistance should price trade to those levels again, vice versa for the lowest low.
- Not only can you use the previous daily high & low, but observe the previous 3 day period.
- Study the daily highs & lows and you will be monitoring the precise levels most banks and institutions watch for buying and selling interest, they are capable of producing 50-100 or more pips per trade.



- Noting the highest high traded in the Asian session can provide exceptional short term resistance should price trade to those levels again, vice versa for the lowest low.
- The Asian session range sets the parameters for the following London session trading.
- The Asian session begins at 12AM GMT (6PM CDT) and ends at 9AM GMT (3AM CDT).
- Determine the "Asian Range" from 6PM CDT and 11PM CDT.. allow up to 1 hour before and after these times.



- Noting the highest high traded in the London session can provide exceptional short term resistance should price trade to those levels again, vice versa for the lowest low.
- The London session range sets the parameters for the following NY session trading.
- The London session begins at 8AM GMT (2AM CDT) and ends at 5PM GMT (11AM CDT).
- Determine the "London Range" from 2AM CDT - 11AM CDT.. allow up to 1 hour before and after these times.



- Noting the highest high traded in the NY session can provide exceptional short term resistance should price trade to those levels again, vice versa for the lowest low.
- The NY session range sets the parameters for the following trading session's trading.
- The NY session begins at 12PM GMT (7AM CDT) and ends at 10PM GMT (4PM CDT).
- Determine the "NY Range" from 7AM CDT - 4PM CDT.. allow up to 1 hour before and after these times.



- Noting the short term swing highs & lows on intraday charts like 15 minute and even 5 minute charts can be useful in determining where the dealing ranges are at any given time.
- Using long term charts as a basis for a trade, these fractals can illustrate where likely stops are resting in the market, and this is very useful insight as nearly 90% of significant price swings occur immediately after a stop raid has unfolded.
- Use the 15 minute chart as the go to chart for monitoring short term swings for lower risk entries and fine tuning stop placement on any open positions.



- Institutional and bank level traders use whole numbers and round numbers for their entries and exits.
- The institutional traders utilize the "figures" (every 100 pip price), .20, .50, and .80 for timing and exits.
- We can look to time trades in the current trend and around these natural S&R levels.

